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TAGS: [ECON](#) [EINV](#) [ETRD](#) [RS](#)
SUBJECT: PLAYING (WITH) CHICKEN: RUSSIA SIGNALS WTO
INTENTIONS

REF: A. MOSCOW 2204
[1](#)B. MOSCOW 2530
[1](#)C. MOSCOW 2434

Classified By: Ambassador John R. Beyrle, Reasons 1.4(b,d).

[1](#)1. (C) SUMMARY: In a meeting August 26, Russian Chief WTO Negotiator Maksim Medvedkov told ECON M/C that Russia would be consulting with its WTO partners, including the United States and EU, to renegotiate or reopen certain agreements made as part of Russia's WTO accession that have had "negative economic consequences on domestic industries, especially agriculture." Pressed on specifics, Medvedkov said Russia would likely reopen with the United States the issue of the tariff rate quota for poultry. Medvedkov said he did not believe the GOR would seek to reopen any other issues with the United States. EU diplomats told us that in their meeting with Medvedkov, he had raised reopening the issue of trans-Siberian overflight fees charged to EU airlines, but had also assured them Russia would not likely seek to renegotiate any other agreements with the EU. END SUMMARY.

Russia Seeks to Reopen Poultry Quota With U.S.

[1](#)2. (SBU) ECON M/C met with Maksim Medvedkov, Russia's WTO Chief Negotiator, on August 26 to discuss the WTO statements made by PM Putin and First Deputy PM Shuvalov during the August 25 meeting of the GOR Presidium (the core group of Cabinet Members). Putin and Shuvalov had reportedly said Russia should withdraw from some WTO agreements that "are not in Russia's interests." Putin specifically mentioned agreements that hurt domestic agriculture producers. Some Russian press reports suggested that Russia was looking to renegotiate as many as ten agreements, including commitments on beef imports, aviation and IPR.

[1](#)3. (C) Medvedkov confirmed that Russia would be seeking to reopen or renegotiate some WTO agreements and concessions that it had made during the course of accession negotiations with WTO members. However, he said that Russia would not act unilaterally, but would do so in consultation with its WTO partners, including the United States and EU. The review of Russia's WTO agreements was not aimed specifically at the United States, and Russia would be analyzing its agreements with all other WTO members. Medvedkov noted that Russia would only reopen or renegotiate issues that have had "negative economic consequences on domestic industries,

especially agriculture."

4.(C) Medvedkov said he would be in contact with USTR when he had specific instructions from the GOR but, when pressed, said that the GOR would likely seek to reopen the issue of the tariff rate quota for poultry. He stated that the domestic poultry industry had complained to the GOR about the adverse economic impact of poultry imports. In his view, it made sense to revisit the issue at the government-to-government level, especially given that U.S. and Russian chicken producers had agreed in July to reduce the level of U.S. imports in 2009 (Ref A). (NOTE: The Russian press reported August 26 that the Ministry of Agriculture had in fact proposed to the GOR a reduction in the volume of U.S. chicken imports.)

15. (C) Medvedkov said he did not believe that the GOR review would affect any of the other agreements or side letters with the United States, including beef and pork imports, IPR, aviation, encrypted products, medicines or biotechnology. The review would also not affect any agreements or language in the WTO Working Party Report that relates to commitments that Russia would honor only as of the date of accession. The current review was limited solely to those measures that Russia was currently implementing that were having a negative economic effect on domestic industries.

16. (C) Medvedkov added that the GOR review should not come as a surprise to the United States. He said that President Putin had raised the issue with President Bush twice, most recently at the Sochi Summit in April. Putin had conveyed that Russia was having difficulties in implementing some of its bilateral WTO agreements in advance of accession, and that the GOR was feeling pressure from some domestic industries impacted by accession, especially the agriculture industry.

17. (C) Medvedkov insisted that Russia was still fully committed to WTO accession, which was in its long-term economic interest. He said that the WTO should be an apolitical economic institution, and he said Russia hoped that the accession process would not be further politicized, including especially at the next Working Party informal discussions, which were scheduled to take place in Geneva during the week of September 18. Russia was concerned that the dynamic between Georgia and Russia could degenerate into a "show," as had occurred during the previous two informal meetings.

18. (C) Medvedkov also said that Russia remained interested in negotiating a bilateral investment treaty (BIT) with the United States and suggested scheduling a meeting in late September.

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Russia Will Reopen Some Aviation Issues with EU
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19. (C) The EU's Deputy Ambassador also met with Medvedkov on August 26 to discuss Putin's and Shuvalov's WTO statements. According to Alexander Kravchuk, Economist in the European Commission's diplomatic mission in Moscow, Medvedkov said that Russia would seek to reopen negotiations on the trans-Siberian overflight fees charged to EU airlines. Kravchuk noted that the EU had agreed with Russia on a gradual reduction of the overflight fees and replacement of that fee with an air navigation fee. Now, however, Russia would seek to ensure that any reductions or changes in the aviation fee mechanisms would not go into effect until Russia actually acceded to the WTO. Kravchuk said Medvedkov had also claimed to the EU that this should come as no surprise, with Putin having raised the issue of reviewing Russia's WTO agreements with EU leaders during the EU-Russia Summit in October 2007.

10. (C) Aside from aviation fees, Kravchuk said that Medvedkov indicated that Russia was not likely to reopen any

other issues with the EU, including IPR.

COMMENT

¶11. (C) Putin's and Shuvalov's public comments had seemed to call into question some of Russia's bilateral WTO agreements, including the 2006 U.S. agreement, and by extension the GOR's commitment to accession. In that context, Medvedkov's comments to us and to the EU appear to have been meant to be reassuring and to signal that despite political strains, Russia is not seeking to isolate itself economically and still sees international integration as in its interest. Medvedkov's offer to resume BIT negotiations was a clear signal in that regard since the negotiations are unlikely to yield results before WTO accession and were going nowhere even before the conflict with Georgia, and are unlikely to.

¶12. (C) That said, the decision to reopen the question of U.S. poultry imports is a clear signal that economic costs will be two-way. Russia is the largest export market for the U.S. poultry industry, with exports totaling \$770 million in 2007 and as much as \$850 million in 2008. Aside from the EU, the majority of WTO members oppose the 2005 U.S.-Russia Meat Agreement, which provides the United States with 74.4 percent of the poultry quota. However, our best guess is that the GOR saw a chance to placate a noisy and influential domestic constituency while sending the United States a warning shot not to oppose Russian WTO accession.

BEYRLE